ILLINOIS BUSINESS REVIEW

A MONTHLY SUMMARY OF BUSINESS CONDITIONS FOR ILLINOIS

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PER R. R.

HIGHLIGHTS OF BUSINESS IN SEPTEMBER

The steel strike continued to be the principal damper on economic activity in September. Few firms experienced shortages of steel that curtailed production, but some cuts were expected in October. The index of industrial production fell 1 point to 148 (1947-49 = 100). Automobile output picked up rapidly in the second half of the month as model changeovers were completed. Paper, paperboard, and lumber production maintained a high level, but electric power output fell sharply, as the need for air conditioning declined with cooler weather. Coal production and carloadings were still held down by the steel strike.

A preliminary estimate put seasonally adjusted retail sales in September at $17.8 billion, down 2 percent from August. Retail deliveries of 348,400 American-made automobiles, the lowest monthly total this year, brought sales in the first nine months of this year to 4,220,000 units. Although this was well above the 3,135,000 marketed in the corresponding period of 1958, it brought the annual rate of sales down to about 5.6 million cars. With imports, this would bring the total for the year to a little over 6 million units.

Treasury Issue Oversubscribed

The United States Treasury received more than $11.1 billion in orders from 130,000 subscribers for its $2.0 billion issue of 5 percent notes (later raised to $2.2 billion). With a maturity period of four years and ten months, which avoided the interest ceiling of 4¼ percent on bonds (issues of 5 or more years' maturity), the notes were selling at a premium of as much as 1 point on a when-issued basis on October 7, the day after their sale by the Treasury. On October 9 they closed at 100 26/32 bid, at which price they would yield an investor 4.77 percent.

Nearly half of the issue, $927 million, went to 110,000 individuals. Savings-type investors, such as insurance companies, pension funds, and savings and loan associations, were awarded 45 percent of their subscription, or $610 million, and commercial banks got about $579 million, 8 percent of what they had offered to take.

Sales, Inventories Off

Sales by manufacturing and trade firms dropped $2.2 billion in August to $59.5 billion after seasonal adjustment. The steel strike accounted for a large part of the decline in manufacturing sales, which were off 5 percent to $29.3 billion. Most of the reduction was in durables. Sales by wholesalers fell to $12.2 billion, both durable and nondurable goods trades experiencing declines of 4 percent from July. Retail sales dropped $200 million, equally divided between hard and soft goods, from their record high of $18.3 billion in July. As compared with August, 1958, all of these groups showed sales gains, with total sales rising 8 percent.

Liquidation of stocks by primary metal, fabricated metal, and transportation equipment manufacturers and by retail automobile dealers accounted for most of the $400 million decline in the book value of manufacturing and trade inventories. Total stocks were valued at an adjusted $89.4 billion at the end of August, with those of manufacturers amounting to $52.0 billion and those of retailers to $24.9 billion, both off $200 million.

New orders received by manufacturers also fell during August, dropping 6 percent from July to an adjusted rate of $29.1 billion. Nearly all of this reduction came in the durable goods industries most affected by the steel strike.

Unemployment Down

The steel strike held the decrease in unemployment from August to September to a less-than-seasonal 196,000. The total out of work in the latter month was 3.2 million. With total employment down 900,000 to 66.3 million, the seasonally adjusted rate of unemployment rose from 5.5 percent to 5.6 percent.

Farm Surpluses

The Agriculture Department reported that it had $8.6 billion tied up in farm surpluses on June 30, 1959. This was the smallest amount since last November's total of $8.3 billion but was still well above the $7 billion holdings in mid-1958.

The latest figure included holdings of $2.4 billion in crops under price support and $6.2 billion in farm commodities owned outright by the government. The Agricultural Department takes title to a farmer's crop if he fails to repay his price-support loan on schedule, as usually occurs when market prices fall below federal price support rates.

The agency stated that the $2.4 billion in crops under price support included 6 million bales of cotton valued at $1 billion; 892 million pounds of tobacco worth $580.2 million; and 412 bushels of corn valued at $513.5 million. Major items in the $6.2 billion worth of commodities owned by the government included 1.1 billion bushels of wheat valued at $2.9 billion and 1 billion bushels of corn worth $1.9 billion.

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Figments of Inflation

President Eisenhower in a strongly worded message to Congress requested removal of the interest ceiling on government bonds (defined as obligations with maturities of 5 years or more). The emphasis no doubt reflected the attitude of the Treasury administration, which is the first in a quarter-century that has displayed no inclination to resist pressures for higher rates but rather a willingness to meet the market more than half way. Although the law setting the ceiling is generally conceded to be out of date, Congress turned down the request. Doubt of the need and mistrust of what the Treasury would do with the power to commit the government to high charges over the long term were evident in its action.

Secretary of the Treasury Anderson then announced that he had no choice but to follow inflationary debt management policies. He showed what he meant by offering a $2 billion issue of notes at 5 percent for a term just short of the 5-year limit. The issue was heavily oversubscribed. According to the *Wall Street Journal*, "pleased lenders clamor for the 5 percent U. S. notes."

Recent Behavior of Prices

Interest rates have been pushed thus to new postwar peaks in the name of the fight against inflation. The inflation being fought, however, is theoretical rather than actual. Commodity prices have been relatively steady for two years and extraordinarily steady for more than a year.

The consumer price index has risen less than 1 percent during the past year. Most of the advance was in services, with commodities rising only 0.2 percent during this period. This small increase may be accounted for largely by increased processing, as of prepared foods, and higher distribution costs. The continuing rise in services reflects certain lags, as in housing and utilities, where contracts and regulations prevent quick adjustments. It also reflects the heavy proportion of wages and salaries in many service charges. Some increase in wages relative to prices is characteristic of an economy in which growth of real income is sustained by rising productivity.

In August, the wholesale price index was exactly the same as in August a year ago and it was down almost 1 percent from the high reached in April. Farm products and foods declined almost steadily throughout the year. During the first eight months, the decline was offset by advances in other commodities. After the latter stabilized, the index as a whole declined.

The stability of wholesale prices is sometimes thought to be temporary and precarious, because it resulted in part from a balance between declining farm prices and rising industrial prices. This may be true, but the next substantial change will not necessarily be upward. The conditions of surplus that maintain downward pressure on prices are not confined to agriculture. Throughout the economy industrial capacity is ample, and in many industries it is excessive. There has been an intensification of competition, including competition from abroad, that places a restraint on price increases. It is significant that prices of products other than farm products and foods remained stable during the second quarter. Then the economy was at the peak of an inventory boomlet. It was the kind of situation in which prices usually rise fastest, but they could do no better than hold even.

The Inflation Phobia

The facts of the current situation evidently do not justify the fears of inflation. It is like the little man who isn't there. The months pass — he isn't here again today — but those infected with the inflation phobia are more determined than ever to kill off this figment. Apparently, nothing short of actual deflation will convince them that their efforts are misplaced.

The President's Cabinet Committee on Stability for Economic Growth seems to confirm this view. Its latest report takes note of the recent stability but lays greatest stress on "the virtual absence of falling prices." It summarizes the record of price movements from the depression lows of the early 1930's to the recent highs as the basis for drawing a presumptive conclusion that "rises in price level are now permanent and cumulative."

A longer look at price history does not encourage one to accept the implicit assumption that the situation cannot take a turn for the worse. After each previous postwar inflation, there was a deflation of prices in two stages — first there was a sharp reaction from the peak and then, after a period of relative stability, prices suffered another substantial decline as the boom culminated in depression. In the present instance, the pattern has been modified in various ways; the initial decline was deferred until mid-1948 and prices were given a new upward thrust by the Korean War. In addition, the secondary downward movement of prices that might be expected to accompany the end of the postwar boom has not yet been experienced. Nevertheless, by analogy with earlier situations, it is at least as reasonable to expect prices to decline as to expect any further significant increase.

The primary reason for thinking the situation might be different now is the cold war. Other structural and environmental changes are hardly potent enough to override the usual cyclical reactions. It may be good politics to talk both peace and prosperity, but unless military demands intensify, present price levels cannot be considered permanent. Through this period of tension, other countries have rebuilt and improved their efficiency to the point of being able to undersell us. Imports of autos and electrical equipment have shown our prices to be vulnerable to competition. At this juncture, any substantial relief from cold war tension will put downward pressure on prices. Even with military programs maintained at present levels, deflation remains a much more serious threat than inflation. Its consequences for our political institutions and our international position will be far

(Continued on page 6)

SOFT DRINKS — AN AMERICAN HABIT

The manufacture of soft drinks dates back to the late 1700's when carbonated water was developed from attempts to reproduce the effervescent waters of certain European spas, famed for their reputed therapeutic value.

Although duplication of carbonated waters had interested scientists throughout the 1600's, it was not until about 1780 that an apparatus became available which could produce commercial quantities of carbonated water. Soon afterward, commercial bottling plants sprang up in most of the larger European cities.

The soft drink industry began in the United States in 1807 at New Haven, Connecticut, where a store was opened to dispense artificial waters which had been experimentally produced at Yale University. By 1849, there were 64 plants producing more than 36 million bottles valued at $760,000. Since 1849, production has risen nearly every year, with the exception of the early 1930's and during World War II when sugar restrictions prevailed. Per capita consumption increased from 1.6 bottles in 1849 to 189.2 bottles in 1957.

The industry made only clear, effervescent water at first, but by the late 1800's was producing a variety of flavored carbonated beverages made chiefly from extracts, aromatic roots, and spices. The leading soft drinks at the turn of the present century were ginger ale, root beer, cream soda (vanilla), and a type of strawberry soda. Today, cola drinks are easily the most popular, accounting for 58 percent of total sales. Others in order of sales preference are lemon-lime (10 percent), orange (8 percent), root beer (6 percent), ginger ale (5 percent), grape (2 percent), and sparkling water (2 percent).

An Industry of Small Businesses

The soft drink industry today is chiefly composed of a large number of small bottling plants mostly serving local markets. Its 5,400 bottling plants are located in every state, the distribution being determined largely by population and climate. The industry annually ships nearly 1.3 billion cases valued at more than $1.3 billion.

More than 75 percent of the bottling plants employ fewer than 20 persons and less than 3 percent have more than 100 workers. In addition, the industry, which is highly mechanized, has a small ratio of production workers (10 "other" employees to 9 production workers), principally because of the large number of delivery personnel needed. Altogether, the industry has about 100,000 employees.

The typical bottling company, especially the producer of cola beverages, operates on a franchise basis, obtained from a flavoring company (often called a "parent" company). "Parent" companies, which are associated with more than 80 percent of the nation's bottling plants, sell syrups and concentrates to bottlers who then add about 95 percent carbonated water, bottle the product, and deliver it to local retail outlets. Although bottlers operate under the parent company's trade-name, nearly 90 percent of them are independently owned and managed. This relatively loose affiliation permits the bottling firm to benefit from the popularity of the trade-name but usually frees the parent company from capital investments in the bottling plants. As a result of this structure, the parent company can concentrate on national or regional promotion of its trade-name.

Trends in Merchandising

The industry has attempted to reach new markets in the postwar period with new methods of merchandising. Probably the most important has been the widespread use of vending machines, which have been put in many new outlets, such as schools, restaurants, and factories. In addition, novelty drinks, such as dietetic beverages, quinine waters, and "fizz" tablets have reached a new but limited market; they constitute about 3 percent of total sales.

One of the significant trends in the postwar period has been the shift in packaging styles. Of particular importance has been the use of king-size (20-24 ounce) and intermediate size (8, 9, or 10 ounce) bottles, which have increased sales for home consumption and have helped bottlers to break the traditional five-cent price barrier. The growth of supermarkets is the reason given for the popularity of the larger bottles, which make up about 16 percent of the total containers sold, compared with only 4 percent in 1947. The standard 6 and 7 ounce bottles still hold the major share of sales but have declined from 60 percent to 50 percent since 1947.

Canned soft drinks, a recent innovation, have not met the expectations of the industry. Although cans may eventually become the typical beverage container, the high unit cost and slow public response have deterred many companies from switching to these containers on a larger scale.

Illinois — Sixth in Bottling

Illinois is among the leading states in the bottling of soft drinks and is even more important in the manufacture of flavoring syrups and concentrates. In 1954 (the year of the last official Census of Manufactures), the 223 bottling plants in this State added nearly $32 million by manufacture. Although this was an increase of nearly 60 percent over 1947, the State dropped from fifth to sixth nationally.

The State is second only to New York in the production of flavorings. These two states together produced more than a third of all flavorings used for soft drinks.

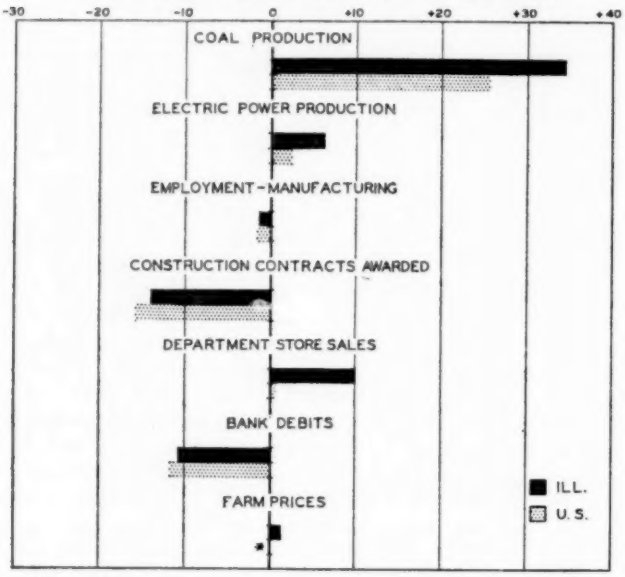
As is true in other states, bottling plants in Illinois typically are small. Only 23 percent (52) of the plants employed more than 20 persons in 1954. Altogether, the plants in Illinois hired about 4,600 persons, of whom only 2,100 were production workers.

There are bottling plants in nearly 80 cities, with the greatest concentration in northern Illinois, especially in Chicago, which has nearly two-fifths of the state's total. Springfield is second. Other important centers of soft drink production are Belleville, East St. Louis, Joliet, Rockford, and Peoria, each with about five bottling plants. Syrups and concentrates, on the other hand, are manufactured mostly in the Chicago area, with only one-sixth of the flavoring plants located downstate.

STATISTICAL SUMMARY OF BUSINESS ACTIVITY

SELECTED INDICATORS

Percentage changes July, 1959, to August, 1959



*No change.

ILLINOIS BUSINESS INDEXES

Item	Aug. 1959 (1947-49 =100)	Percentage change from July 1959	Percentage change from Aug. 1958
Electric power[1]	252.9	+ 6.2	+ 7.8
Coal production[2]	40.0	+34.4	+ 5.1
Employment—manufacturing[3]	101.1[a]	− 1.1	+ 4.1
Weekly earnings—manufacturing[3]	169.2[a, b]	− 2.0	+ 7.8
Dept. store sales in Chicago[4]	127.0[c]	− 1.6	0.0
Consumer prices in Chicago[5]	128.3	0.0	+ 1.1
Construction contracts awarded[6]	371.7	−14.1	+25.3
Bank debits[7]	195.3	−10.8	+16.2
Farm prices[8]	80.0	+ 1.3	− 9.1
Life insurance sales (ordinary)[9]	281.8	− 7.7	+ 3.0
Petroleum production[10]	119.8	− 3.2	− 0.7

[1] Fed. Power Comm.; [2] Ill. Dept. of Mines; [3] Ill. Dept. of Labor; [4] Fed. Res. Bank, 7th Dist.; [5] U. S. Bur. of Labor Statistics; [6] F. W. Dodge Corp.; [7] Fed. Res. Bd.; [8] Ill. Crop Rpts.; [9] Life Ins. Agcy. Manag. Assn.; [10] Ill. Geol. Survey.
[a] Revised series. [b] Data are for July, 1959; comparisons relate to June, 1959, and July, 1958. [c] Seasonally adjusted.

UNITED STATES MONTHLY INDEXES

Item	Aug. 1959	Percentage change from July 1959	Percentage change from Aug. 1958
	Annual rate in billion $		
Personal income[1]	381.4[a]	− 0.7	+ 5.2
Manufacturing[1]			
Sales	351.6[a]	− 5.2	+11.0
Inventories	52.0[a, b]	− 0.4	+ 5.0
New construction activity[1]			
Private residential	25.0	− 1.0	+21.7
Private nonresidential	18.1	+ 1.9	+ 6.7
Total public	20.3	+ 4.1	+ 9.9
Foreign trade[1]			
Merchandise exports	17.6[c]	+ 3.0	+ 3.7
Merchandise imports	15.0[c]	− 8.8	+19.0
Excess of exports	2.6[c]	+291.1	−39.9
Consumer credit outstanding[2]			
Total credit	47.9[b]	+ 1.4	+10.9
Instalment credit	37.0[b]	+ 1.6	+11.5
Business loans[2]	29.9[b]	+ 1.4	+ 0.0
Cash farm income[3]	28.6[c]	+11.9	− 6.9
	Indexes (1947-49 =100)		
Industrial production[2]			
Combined index	149[a]	− 2.6	+ 9.6
Durable manufactures	159[a]	− 5.4	+10.4
Nondurable manufactures	146[a]	0.0	+ 9.8
Minerals	119[a]	− 0.8	− 0.8
Manufacturing employment[4]			
Production workers	98	− 4.3	+ 4.8
Factory worker earnings[4]			
Average hours worked	102	+ 0.5	+ 2.3
Average hourly earnings	165	− 1.8	+ 2.8
Average weekly earnings	167	− 1.3	+ 5.2
Construction contracts awarded[5]	311	−15.7	−11.0
Department store sales[2]	150[a]	+ 0.7	+ 2.0
Consumer price index[4]	125	− 0.1	+ 0.9
Wholesale prices[4]			
All commodities	119	− 0.3	0.0
Farm products	87	− 1.6	− 6.7
Foods	106	− 1.6	− 4.9
Other	128	0.0	+ 1.8
Farm prices[3]			
Received by farmers	88	0.0	− 3.3
Paid by farmers	119	0.0	+ 1.7
Parity ratio	80[d]	− 1.2	− 5.8

[1] U. S. Dept. of Commerce; [2] Federal Reserve Board; [3] U. S. Dept. of Agriculture; [4] U. S. Bureau of Labor Statistics; [5] F. W. Dodge Corp.
[a] Seasonally adjusted. [b] As of end of month. [c] Data are for July, 1959; comparisons relate to June. 1959, and July, 1958. [d] Based on official indexes, 1910-14 = 100.

UNITED STATES WEEKLY BUSINESS STATISTICS

Item	1959					1958
	Sept. 26	Sept. 19	Sept. 12	Sept. 5	Aug. 29	Sept. 27
Production:						
Bituminous coal (daily avg.) thous. of short tons	1,282	1,297	1,280	1,223	1,220	1,501
Electric power by utilities mil. of kw-hr.	12,878	12,779	13,109	13,759	14,109	12,342
Motor vehicles (Wards) number in thous.	114	83	37	33	34	57
Petroleum (daily avg.) thous. bbl.	6,858	6,823	6,813	6,785	6,765	7,100
Steel 1947-49=100	21	21	19	19	19	105
Freight carloadings thous. of cars	587	578	481	544	549	673
Department store sales 1947-49=100	145	158	133	148	139	136
Commodity prices, wholesale:						
All commodities 1947-49=100	119.6	119.6	119.4	119.3	119.3	119.1[a]
Other than farm products and foods 1947-49=100	128.3	128.3	128.3	128.3	128.3	126.2[a]
22 commodities 1947-49=100	85.7	86.5	87.6	86.9	87.0	85.8
Finance:						
Business loans mil. of dol.	29,374	29,346	29,005	28,990	28,976	n.a.
Failures, industrial and commercial number	282	264	222	308	257	268

Source: *Survey of Current Business, Weekly Supplements.*

[a] Monthly index for September, 1958. n.a. Not available.

RECENT ECONOMIC CHANGES

Machine Tools

The National Machine Tool Builders' Association reported orders for all types of machine tools fell sharply from $63.4 million in July to $52.4 million in August, a decline of 17 percent. Although the August figure was well above the $28.3 million of the same month last year, it represented the second consecutive decline since the June peak of $65.4 million. The latest reductions were attributed to the combined effects of the steel strike and summer vacations.

In the important area of metal cutting tools, often considered an indicator for the capital goods buying prospects of manufacturers, the decline was less pronounced. Orders in August totaled $39.1 million, 11 percent below the previous month's level.

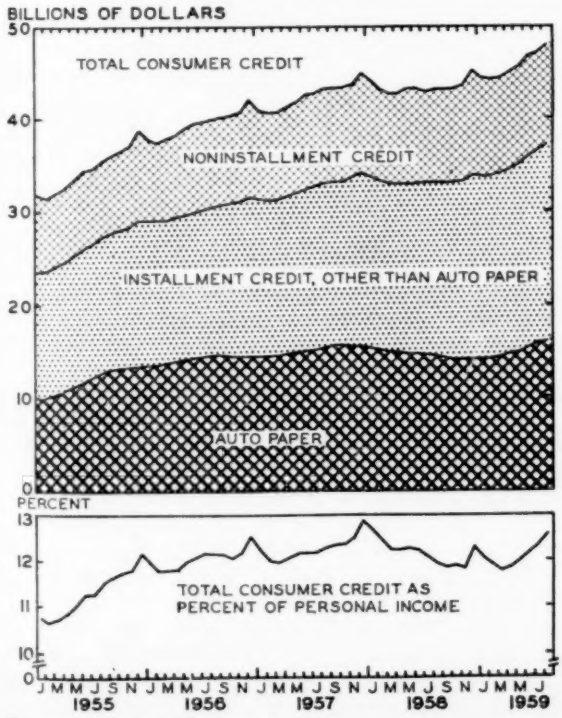
Shipments of all types of machine tools dropped only slightly in August to $40.4 million, from $40.6 million in July. For the first eight months of this year, shipments amounted to $330 million, compared with $366 million in 1958. Net new orders, however, rose to $421 million from $235 million in the same period last year.

Consumer Credit

Continuing the strong upward trend which began in March, instalment credit rose a seasonally adjusted $502 million in August. This advance was slightly above the increase of the previous month and pushed total instalment debt outstanding at the end of August to a record of more than $37 billion, about $4 billion greater than a year ago. Extensions of new credit during the month amounted to $4,103 million, while repayments totaled $3,601 million.

Outstanding auto credit in August rose an adjusted $208 million, somewhat less than in July but about the same as the average increase for the second quarter. On August 31 total auto credit amounted to $16.1 billion.

CONSUMER CREDIT



Source: Federal Reserve Board.

This represented a year-to-year increase from August 31, 1958, of about $1.6 billion, compared with a decline of about $950 million between August 31, 1957, and the same date last year (see chart). Other consumer goods credit and repair and modernization loans showed a somewhat larger expansion during August than in recent months.

Noninstalment credit — single-payment loans, charge accounts, and service credit — rose a seasonally adjusted $77 million during August and at the end of the month stood at $10.9 billion. The combined increases in instalment and noninstalment debt brought total consumer credit outstanding on August 31 to $47.9 billion, a rise of $4.9 billion from the corresponding figure a year ago.

Industrial Production

The Federal Reserve Board's index of industrial production declined in August for the second straight month following a record 155 (1947-49 = 100) reached in June. August production, which caught the first full month's effect of the steel strike, dropped to a seasonally adjusted 149 percent of the base period average. A year ago, the index was down to 136.

Steel ingot production in August and in the first half of September was about 12 percent of capacity, compared with an average 42 percent in July and 90 percent in June. Thus, the work stoppages in steel caused almost all of the production decline in August to be centered in the primary metals industries, while other sectors were affected little by the strike itself.

In the auto industry, output declined from 158 in July to 133 in August, but most of this reduction resulted from model changeover shutdowns. Output of most other consumer goods remained at record midyear levels.

Foreign Trade

The value of both exports and imports declined 5 percent during August, according to the most recent Commerce Department report. Most of the drop in exports resulted from decreases in shipments of aircraft, machinery parts and accessories, and commercial motor trucks. The import reduction was caused largely by a sizable drop in foreign car imports.

August commercial exports, which exclude military shipments, fell to $1.3 billion, about $55 million under July but approximately the same level as August last year. Imports for the month totaled slightly under $1.2 billion as against the unusually low August, 1958, figure of $950 million. Thus in August, as in July, the value of exports exceeded the value of imports, after falling behind by some $22 million in June.

For the first eight months of this year commercial exports amounted to $10.6 billion, a drop of 3 percent from the corresponding 1958 period. Imports, on the other hand, totaled $9.9 billion through August, about 19 percent higher than for the same period last year.

Construction Contract Awards

Contract awards for future construction dropped sharply in August both from year-earlier and from previous-month levels, according to the F. W. Dodge Corporation. The most severe decline of this year saw contract awards fall 11 percent below August, 1958, to $3.1 billion. In July contract awards totaled more than $3.6 billion.

Nonresidential construction contracts were especially hard hit as uncertainty over the steel situation caused

awarding of contracts to be deferred in some cases. Except for hospitals, every nonresidential type of building award declined during August. Total nonresidential contracts fell 11 percent from the previous year to $961 million in August. Manufacturing buildings, which had been experiencing a comeback from low levels last year, suffered a 6 percent decline.

Total residential building contracts rose to more than $1.5 billion during the month, 7 percent above August, 1958. Apartment units, however, fell 19 percent to $138 million. Single-family housing, which uses relatively little steel, continued to gain during August.

The August decrease in total construction contracts checked a steadily rising trend of awards in the first seven months of 1959, compared with last year. Through July, total awards had risen 11 percent above the same 1958 period. The decline in August, however, resulted in an eight-month total for 1959 of about $25.6 billion, only 7 percent ahead of last year.

Figments of Inflation

(Continued from page 2)

worse than any inflation of the kind we have experienced in the eight years since the peak of the Korean bulge.

Although the anti-inflationists pay lip service to free enterprise and competition, they exhibit little faith in the ability of the economy to produce amply enough to keep prices within reasonable limits. Viewed as a phenomenon of economic history, this lack of faith may be regarded as a typical development in our economic system, representing one aspect of its instability. It becomes part of the pattern by which extremes in speculative fervor and tight money are reached just prior to a collapse.

Has Tight Money Helped?

In view of the Administration's desire to avoid more direct forms of control, the Federal Reserve System is relied on to carry the burden of the attack on "inflation." Its weapons are tight money and high interest rates. What has been their effectiveness in recent months? It is enlightening to ask this question with respect to each of the five areas in which demand for funds has been heavy: business inventory accumulation, expansion of consumer credit, the federal deficit, mortgage loans, and state and local projects.

With respect to the first two, efforts at control have met with signal failure. Since the early part of the year, bank loans have surged upward by $10 billion, an extremely rapid rate of advance. There is no evidence of any restriction on business borrowing to carry inventories. Consumer borrowing surged to a new post-Korean peak rate. Apparently some check to these forms of credit use has come from the steel strike, but hardly any from the Fed's action. The Fed abjures specific controls; it endorses the priority of business loans in use of bank credit; and it works through the banking system only, avoiding direct restrictions on other financial institutions. With control of bank loans ineffective and other institutions uncontrolled, the Fed can have little influence on these unstable short-term uses of funds that push the economy to a vulnerable extreme.

The banks obtained most of the funds used in expanding their loans by selling off federal securities. The market for governments was therefore put under a double burden — absorbing bank sales and financing the deficit for fiscal 1959. Although both may be regarded as temporary, the Fed has done little to support the market. Its holdings of governments increased but hardly by enough to take care of the gold outflow and the seasonal increase of currency in circulation. The main effect of both Fed and Treasury action has been to maximize interest charges on the federal debt and thus keep the budget in as bad a condition as possible.

It is widely supposed that the Treasury is barred from the long-term market by high short-term rates and the "artificially low" ceiling on bonds. The usual theory is that long rates should be higher than short because of the greater risk. What this overlooks is that risk is a matter of probability, and there are probabilities on both sides, not just on one. In fact, the probability that rates will be lower at some time within the next decade, let alone the next two or three, is overwhelmingly high. There has been no real test of what the long market could absorb with the Treasury showing determination to hold rates down and the Fed relaxing its "bills only" policy as necessary to permit it to operate as an effective auxiliary.

With respect to other long-term investment markets, developments to date do not show any important slowing of activity under the impact of high interest rates. Through the first half of 1959, mortgage financing continued near the peak and state and local security issues reached a new high. However, the latest data suggest that restriction of homebuilding and of state and local projects may be beginning to take hold. Restrictions here are not readily reversible, and any extended drop in these activities will put the whole economy in danger.

Danger in Federal Reserve Policies

Just what effects high interest rates have is largely indeterminate, as was pointed out here last February and March. In the short run, they tend to be inflationary: They pull funds out of hoards and make possible higher rates of spending through increases in velocity. They raise costs and higher costs usually mean higher prices; this effect is reflected, for example, in recent decisions raising permissible utility rates. They are supposed to protect the value of fixed claims, but by depressing the value of outstanding bonds, they do just the opposite; this makes holders panicky, and their efforts to shift force up the prices of other capital assets — stocks, real estate, and other "inflation hedges" — maintaining a semblance of inflation where none exists in the proper meaning of the term. Over the longer run, they are probably deflationary and, if maintained too long, may intensify a downturn. A critical interpretation of the Fed's policy over the last four years can make it appear as a veritable engine of instability.

The main effects of recent high interest policy, in other words, has been an inversion of what is desirable. Policy should aim at preventing short-term excesses and maintaining long-term investment. Instead it seems to be achieving just the opposite, and when such policy is continued through a period like that of recent months, where an inventory boomlet cannot produce price increases, it is probably mistaken. The only position that can be reached by ignoring the fact that elements of instability work both ways is an irresponsible one.

The sacred cows of the Federal Reserve System are a set of rather inflexible rules now operating to the detriment of the economy. These are: tight money as an anti-inflation measure, even though no inflation is in evidence; bills only, no dealing in longer maturities; banks only, with other lending institutions unrestricted; no specific controls by type of credit; and priority of business loans. It is time that at least part of this heedless herd be given the axe.

VLB

BUSINESS BRIEFS

PUBLICATIONS AND DEVELOPMENTS OF BUSINESS INTEREST

Gains in Households

The Bureau of the Census recently released estimates showing the growth in the number of households in the United States between March, 1950, and March, 1959. There were an estimated 51.3 million households in 1959 as compared with 43.6 million in 1950, an increase of 18 percent. During the same period, total population residing in the country increased 16 percent, from about 150 million to nearly 175 million people.

On the average, the total number of households increased by approximately 861,000 per year. During this period, the number of urban and rural-nonfarm households rose by about 959,000 a year, whereas the number of rural-farm households declined by 98,000 a year. In March, 1959, there were 45.9 million urban and rural-nonfarm and 5.4 million rural-farm households.

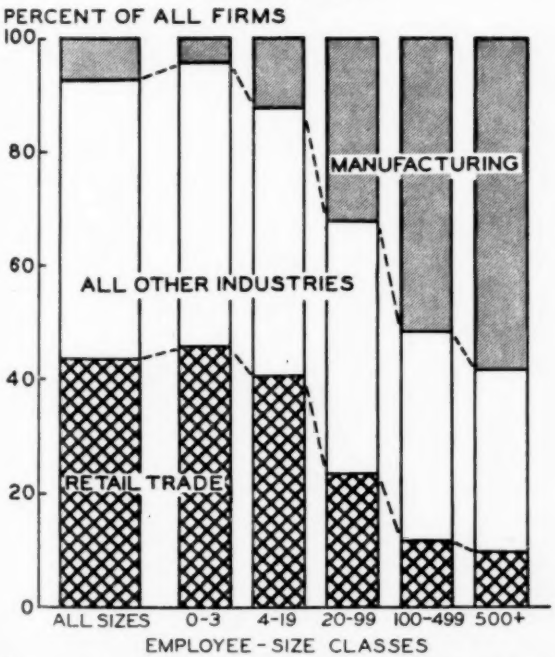
One out of every seven households now consists of persons living alone or with unrelated individuals. This is the highest proportion of such households recorded. Women outnumber men by a margin of two to one among persons maintaining households of this type.

Tamper-Resistant Lock

Larmloc Incorporated in Chicago offers an electric tamper-resistant lock for file cabinets. The product called Larm-O-File comprises a metal hinge which is attached to the side of the cabinet, the lock which is situated on top of the file, and an electric control which contains a rotating dial capable of 56 separate two-number combinations.

The metal hinge provides electrical contact at the top and bottom of the cabinet case. The circuit can be broken, permitting the file cabinet to be opened without setting off the alarm, by the use of the correct combination on the control box. The unit has safeguards against playing with the dial to determine the correct combination. If the second number in the series is not pressed within five seconds after the first, the alarm will ring.

DISTRIBUTION OF FIRMS IN OPERATION ACCORDING TO EMPLOYEE-SIZE CLASSES, 1956



Source: U. S. Department of Commerce, *Survey of Current Business,* September, 1959, p. 14.

Life Insurance in Force

According to the *Life Insurance Fact Book, 1959,* insurance in force set a new record in 1958. Some 112 million policyholders owned policies with a total face value of $494 billion, an average of $11,000 per family. The total was 225 percent greater than the amount owned in 1945, 111 percent more than in 1950, and 33 percent above 1955.

Total life insurance purchases also set a new record of $67 billion last year. Ordinary life policies represented nearly three-fourths of all life insurance purchased in 1958 and exceeded 1957 by more than $2 billion. There was a decrease of $2 billion, however, in the amount of group life insurance set up under new contracts in 1958 as compared with 1957.

In 1958, 89 million ordinary life policies were outstanding, representing a total of $288 billion and an average coverage of $3,220 per policy. Group life insurance, which has more than tripled since 1950, accounted for nearly $145 billion of life insurance ownership. The average of group insurance ownership amounted to $3,740 per certificate. Industrial life insurance decreased slightly to $40 billion during 1958, an average coverage of $380 per policy. Credit life insurance increased 9 percent to nearly $22 billion during the year. The average size of credit life insurance policies and certificates was $610.

Size of Business Firms

The September, 1959, issue of the *Survey of Current Business* contains the most recent size-of-firm information available. Slightly less than 1 percent of all firms had 100 or more employees in 1956; however, these larger firms accounted for about 59 percent of all employment. At the other end of the scale, firms with fewer than four employees represented 75 percent of the operating firms but only slightly more than 6 percent of employment; 40 percent of the firms had no employees at all. Only one firm in 20 employed more than 20 individuals.

Retail trade accounted for 45 percent of the firms with fewer than 20 employees. On the other hand, manufacturing concerns were the most numerous among firms with 20 employees or more and accounted for more than 50 percent of all firms with 100 or more employees (see chart).

The broad size class embracing 50-999 employees includes roughly one-third of all paid employment in each major industry except retail trade and the transportation division, in which the proportions are much smaller. In wholesale and retail trade, contract construction, and the service industries, firms with fewer than 50 employees have the largest share of all paid employment.

As expected, the entry rate — that is, the ratio of the number of new businesses established during a period to the number in operation at the beginning of the period — is highest among firms with fewer than four employees, decreasing as the size of firm increases. The rate of new firm formation was exceptionally high during the early postwar years, but has remained very stable in each size class since 1948.

SPECULATION AND STOCK PRICES

PAUL T. KINNEY, Assistant Professor of Finance

Many investors will recall the spectacular break in stock prices in October, 1929, and the zealous speculation which preceded the crash. This was the time when such experts as Irving Fisher proclaimed the permanence of prosperity and even such outspoken critics of American capitalism as Thorstein Veblen participated in the orgy of common stock speculation. During the collapse, millions of people, many still nursing financial wounds of the ill-fated Florida land boom, watched helplessly while their paper wealth vanished in a fraction of the time it took to accumulate. Such was the aftermath of speculation.

As to the presence of speculative influences, the 1929 and 1959 securities markets differ more in degree than in kind. In each case stock yields have approached the depths of their historical range, indicating widespread optimism regarding the future course of economic and business activity and a growing lack of concern for any relation between stock prices and underlying values.

Stock Yields and Market Fluctuations

Fundamentally, common stock prices are reflections of expected earnings and dividends, appropriately discounted according to the risk that the expectations may not materialize. In the long run, expectations tend to conform to actual trends in earnings and dividends, which in turn depend upon the course of general economic activity. Thus a basic relationship exists between stock prices and the economic climate, although in the short run this relationship may appear to be remote.

In the short run, expectations may vary widely and are sensitive to factors and events which bear little relationship to economic activity. Events ranging from hurricanes to heart attacks may precipitate sudden price changes. As market moods shift, investors alter their appraisal of alternatives and shift their demand for particular securities accordingly. Even where earnings and dividends are relatively stable, shifts in market moods may result in substantial price changes.

Market fluctuations in the short run are nevertheless limited by historical ranges as well as by trends in earnings and dividends. Over the past 35 years, common stock dividend yields have followed an historical pattern manifesting a definite yield range. Except for extremes reached in the depression of the early 1930's, stock yields for the 125 industrial stocks included in *Moody's* have varied from a high of 8 percent to a low of 3 percent. The lowest yield periods have been the months preceding the 1929 crash, the beginning of the recovery in 1933-34, and the present time. The 1933-34 experience excepted, dividend yields during July and August of this year were lower than at any other time in the past forty years — reason enough to justify a market reaction effecting a realignment of yields on a more realistic level.

Logically one would expect yields to fall as business conditions brighten and to rise where prospects for business are dim. But the direction and extent of price and yield changes depends on yield levels at the outset of a change in business activity. If, as in 1953, yields are unusually high at the start of a business decline, their further rise is not so likely to occur as where previous investor optimism has reduced yields to relatively low levels before the recession occurs.

As yields decline, the probability grows less of their continuing to move in the same direction. Alternatives become more attractive, and market pressures to sell increase in accord with the decline in yields. On the other hand, where yields are rising, stocks become relatively more attractive, thus encouraging additional market activity and eliciting pressures for a reversal of the downward trend in market prices.

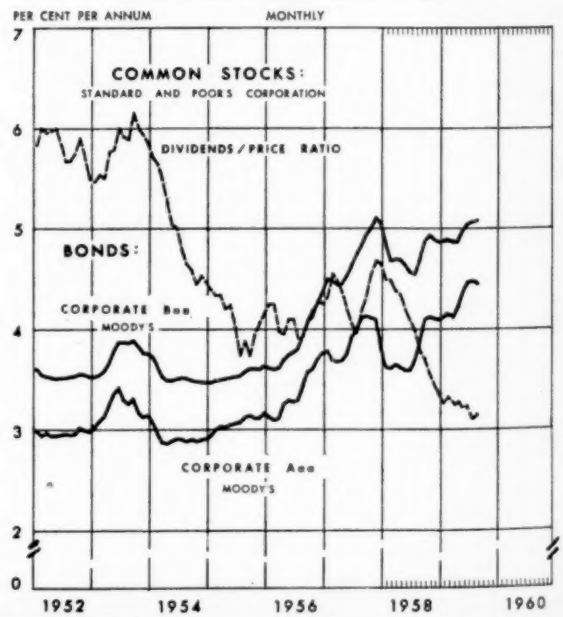
Whereas a definite yield range apparently exists in connection with stock market fluctuations, no such range is evident for any particular stock. Dividend yields approach zero for some stocks whose speculative appeal overshadows current dividend considerations.

Distorted Yield Patterns

Yields should bear a close relationship to the risk inherent in the security held. The greater the risk that income to be derived from the investment will not materialize, or will change unexpectedly, the higher the probable yield relative to alternative investments. A government bond, for example, ordinarily would carry a yield substantially below dividend yields for common stocks but only slightly below yields for Aaa industrial bonds. A still lower yield would be expected from high-grade (Aaa) municipals, whose tax status makes them relatively attractive investments.

The accompanying chart shows how much yields have become distorted in recent months. During the past year, common stock dividend yields have remained below the yields on Aaa industrial bonds and for several months have been lower than yields on Aaa municipals. It is apparent that dividend yields are alarmingly low — in relation to historical patterns as well as in relation to alternative investments. When risk differentials are considered, the only plausible explanation for such perverse yield patterns is the presence of an undeniable optimism concerning prospective corporate earnings and dividends — or simply a naive belief that stock prices are predestined to rise more or less continuously for some time to come.

BOND AND STOCK YIELDS



Source: Federal Reserve Board.

A widespread belief in the inevitability of inflation tends to support a speculative boom and a chronic distortion of yield structures. Usually corporate earnings rise faster than general prices; hence inflationary trends create the illusion of growth, at least in money terms. Though inflation may favorably affect corporate earnings, it has the opposite impact upon the holders of corporate debt. The bondholder, in anticipating inflation, will demand a risk premium sufficient to compensate him for the loss in purchasing power which he expects to incur while holding the bond. Thus if holders of bonds and stocks are convinced of the inevitability of inflation, what otherwise would be a distorted yield pattern may become the normal condition for as long as the inflation fear generally prevails.

A distorted yield structure may also result from fluctuation in bond yields. In the present market where Treasury obligations are priced to yield nearly 5 percent, where other bond yields are approaching historical highs, and where common stock yields are less than 3 percent, the relative advantage of holding stocks for capital gains disappears. For as bond yields rise, the probability of their fall in the future increases. Under these conditions, the inflation-hedge argument for holding common stock is weakened considerably, since the prospects for bond price appreciation may exceed those for common stock.

Dividend yields fall as the purchasers of common stock place increasing emphasis upon the possibilities for price appreciation and pay less attention to earnings and dividends. In the growing belief that there will always be someone willing to pay a higher price when the stock is reoffered for sale, speculative zeal increases and introduces a brash disregard for fundamental values. As speculation mounts, yields fall to levels where their relation to alternative investments is grossly distorted, as in the stock market at the present time.

In the present market as well as in 1929, distorted yield patterns stem partly from investor attitudes toward government policy. Overoptimism regarding the ability of government to perpetuate prosperity, production, and employment and a general lack of confidence in the powers of government to curb inflationary pressures have added greatly to the disparity in yields.

Institutional Changes Stabilize

The influence of speculation on yield structures does not pose any immediate dangers other than to indicate the very real possibility of a major market correction. Fortunately institutional and regulatory changes which have occurred in the last thirty years preclude a recurrence of a 1929 collapse and dictate a more orderly change.

Whereas the stock market boom of the late 1920's involved the extensive use of credit on thin margins and at increasingly expensive loan rates, cash rather than credit characterizes the present market. The importance of this change is mainly connected with the impact of emergency sales of heavily margined stock in a declining market. In 1929, many investors carried securities with as little as a 10 percent margin, and a relatively minor decline in market prices brought margin calls and strong pressures to sell. Credit played an important part in eliminating the small investor in the 1929 crash; its excessive use was a principal factor causing wide, volatile swings in prices which, while appealing to the speculator, unnerved the more cautious investor.

Another condition enhancing the short-term speculative swings in the market prices of common stocks was the privilege of selling short in a declining market. No other technical rule has had more influence on the short-run stability of the securities exchanges than the prevention of short sales when prices are already declining. Effective credit controls and restrictions on such short sales have been instrumental as stabilizing influences in the contemporary securities markets.

Rules governing the availability of information about corporate financial affairs are helpful. They have enabled the investor to base his investment decisions on more rational grounds. Unfortunately, however, access to reliable information does not assure its intelligent use. Aside from reducing the chances that a worthless stock may become the focal point of frenzied speculation, the requirement of full disclosure does encourage companies to strengthen their financial position and to reduce their vulnerability to adverse business trends. The stockholder gains in knowing more about his company and in having some assurance as to the fundamental value of his investment. By minimizing trading in obviously worthless securities, there is less chance of a sudden collapse in the price of the security which has been the focal point of speculation; consequently the market is less vulnerable to the price behavior of a purely speculative issue.

Taxes affect the volatility of stock prices through their impact upon trends in corporate earnings and through their influence upon short-term portfolio shifts. Corporate income taxes have encouraged a basic shift in long-term financing from emphasis on new equity issues to greater reliance on internal sources and more extensive use of long-term debt. As corporations avoid new issues of common stock and rely upon internal financing, potential growth rates in earnings per share are higher and exert upward pressure on the market price. The result is an increase in the stock's fundamental value and thus a reduction in its yield. Also the effect is to strengthen the illusion of growth and encourage investor interest in capital gains rather than in present income.

Orderly Retreat

Considering the level and pattern of common stock yields prevailing in the present market, a major adjustment in the level of stock prices appears to be only a matter of time. Dividend yields are not likely to remain below 3 percent without bringing on a reaction; and where yields on common stocks remain substantially below municipal bond yields, the evident distortion in yield patterns invites a strong market reaction.

Yields on common stock have fallen to unusually low levels partly because the market anticipates a substantial rise in earnings and dividends in the near future. If the anticipated increase in economic activity, and in earnings of corporations, materializes, it is possible that a major market correction may be avoided. Even more likely, the realization of optimistic anticipations regarding the future course of economic activity will elicit further and perhaps less cautious speculation than has been evident in the recent past. However, such circumstances would mean a postponement rather than avoidance of a timely market reaction, and the higher level of prices would tend to intensify the reaction.

Previously, speculative booms have culminated in swift collapse wherein the momentum of price decline probably has led to an overreaction, setting the stage for another advance. But the regulatory and other institutional factors present in the securities markets do not permit violent reactions to occur so swiftly and extensively as in the past. Under present market conditions a major market reaction fortunately is more likely to take the form of an orderly retreat than of a rout.

LOCAL ILLINOIS DEVELOPMENTS

Illinois business activity in August reflected to some degree the impact of the steel strike. With the exception of coal production, electric power, and prices, all indicators declined. The greatest declines were experienced in construction contracts awarded, off 14 percent, and bank debits in selected Illinois cities, down 11 percent from the July level. Life insurance sales dropped 8 percent and petroleum production decreased 3 percent.

Comparisons with August, 1958, show increases in all indicators except farm prices, petroleum production, and department store sales in Chicago. Construction contracts increased 25 percent and bank debits 16 percent.

Illinois Nonagricultural Employment

Total nonagricultural employment in Illinois during the first six months of 1959 averaged nearly 3.4 million, an increase of approximately 40,000 over the same period a year ago. Only in the months of January and February did employment fall below the level of the corresponding months in 1958.

In the first half of 1959, manufacturing employment was 2.9 percent above the corresponding period in 1958, reflecting a gain of 5.2 percent in the durable goods manufacturing sector and a slight decline in nondurable goods production. Jobs in trade, service, and government increased by smaller percentages. Employment in mining, quarrying, and petroleum production dropped 5.2 percent, and relatively smaller declines were registered by contract construction, and finance, insurance, and real estate.

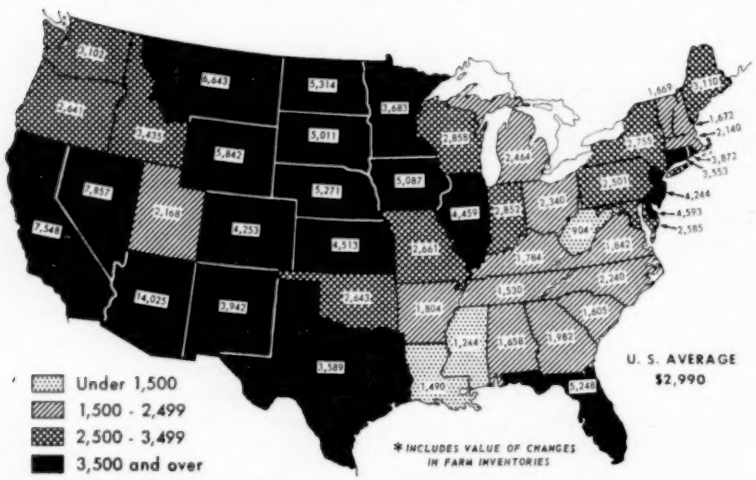
No substantial change in the percentage distribution of employment by industries occurred. Manufacturing continued to employ 36 percent of the workers, with the durable goods sector increasing its proportion of the total by 1 percentage point to 23 percent. The share of wholesale and retail trade remained at 21 percent, while service and miscellaneous industries accounted for 12.3 percent and government for 12.0 percent.

Net Farm Income

In 1958 Illinois farm income averaged $4,459, about 10 percent above 1957 and second only to 1951's high of $4,536. A major factor in the rise in total net farm income over 1957 was the increase in cash receipts from livestock. These advanced $114 million to slightly over $1.3 billion. Owing to a decline in receipts from crops, however, total receipts from farming advanced only $81 million to a total of slightly more than $2.1 billion.

In 1958 Illinois ranked thirteenth in the nation in net farm income per farm. Arizona was highest with $14,025 per farm, while West Virginia had only $904 per farm (see chart). The United States average net farm income per farm was $2,990, an advance of 23 percent from the 1957 level. Farmers in all but five states shared in these gains, with Kansas having the greatest percentage increase in income per farm (132 percent).

TOTAL NET FARM INCOME PER FARM, 1958*



Source: U. S. Department of Agriculture, *Farm Income Situation*, September, 1959, p. 11.

Residential Construction in Chicago

The Chicago Department of City Planning recently released a report indicating the continued growth in residential construction in Chicago. A decided upward movement in residential construction in the city began during the latter half of 1958. About 6,500 building permits were issued between July and December as compared with 3,900 in the first half of the year. Preliminary figures for 1959 indicate that this upward movement is continuing. In the first seven months of 1959, approximately 7,400 permits were issued, an increase of about 65 percent over the same months of 1958.

It is estimated that the total number of dwelling units in the city, as of July, 1959, was 1.2 million. Building permits for nearly 116,000 new units were issued from 1950 through 1958, more than half of them for single-family units.

Bank Loan Loss Experience

The Federal Reserve Bank of Chicago recently published its findings of a special survey of member banks' charge-offs and recoveries on non-insured loans, entitled *Loan Loss Experience at Member Banks of the Seventh Federal Reserve District 1957 and 1958*. For the first time it is possible to relate both gross and net losses to the corresponding loan portfolios and to determine loss rates by type of loans of member banks.

Gross losses of member banks on total non-insured loans during 1957 amounted to $113 per $100,000 of loans outstanding. In 1958, losses were much higher, amounting to $211 per $100,000. Since gross recoveries increased very little, net losses per $100,000 of loans rose from $37 in 1957 to $120 in 1958.

In both 1957 and 1958, net losses on consumer loans, amounting to $117 and $183 per $100,000 of loans outstanding respectively, were somewhat higher than losses by district banks on other types of loans. Business loan losses ranked second to consumer loan losses and experienced a sharper rise in the net loss rate between 1957 and 1958 than any other type of loan, jumping from $21 in 1957 to $166 in 1958. This marked rise in business loan losses was particularly evident in the largest banks of the district. Very few banks reported losses on farm loans or real estate loans during 1957 and 1958. Real estate loans actually reported net recoveries in 1957, whereas in the following year a small net loss rate occurred.

COMPARATIVE ECONOMIC DATA FOR SELECTED ILLINOIS CITIES

August, 1959

		Building Permits[1] (000)	Electric Power Consumption[2] (000 kwh)	Estimated Retail Sales[3] (000)	Department Store Sales[4]	Bank Debits[4] (000,000)	Postal Receipts[5] (000)
ILLINOIS		$42,004[a]	1,226,530[a]			$17,073[a]	$14,270[a]
Percentage change from	July, 1959	+16.9	+0.6		+11	−10.8	+4.4
	Aug., 1958	+61.6	+6.8		0	+16.2	−0.6
NORTHERN ILLINOIS							
Chicago		$30,738	867,642			$15,638	$12,298
Percentage change from	July, 1959	+35.2	−2.5		+10	−10.9	+4.0
	Aug., 1958	+71.3	+2.4		0	+16.9	+0.0
Aurora		$ 613	n.a.			$ 84	$ 149
Percentage change from	July, 1959	−64.3			+16	+0.3	+17.4
	Aug., 1958	+83.0			−1	+32.1	−3.1
Elgin		$ 451	n.a.			$ 55	$ 122
Percentage change from	July, 1959	−48.8			n.a.	+0.2	+48.7
	Aug., 1958	+40.1				+30.3	−0.5
Joliet		$ 505	n.a.			$ 89	$ 94
Percentage change from	July, 1959	−62.6			+15	−9.8	−3.0
	Aug., 1958	−28.9			+9	+12.7	−8.9
Kankakee		$ 96	n.a.			n.a.	$ 54
Percentage change from	July, 1959	−55.8			n.a.		+9.4
	Aug., 1958	−43.9					+4.0
Rock Island-Moline		$ 947	29,904			$ 114[b]	$ 137
Percentage change from	July, 1959	+5.3	+7.9		n.a.	−7.9	−11.8
	Aug., 1958	+9.1	+9.4			+10.2	−13.6
Rockford		$4,826	50,031[c]			$ 198	$ 212
Percentage change from	July, 1959	+258.0	+6.1		+20[c]	−6.2	+8.6
	Aug., 1958	+398.0	+17.0		+12[c]	+14.2	−9.3
CENTRAL ILLINOIS							
Bloomington		$ 365	9,891			$ 73	$ 89
Percentage change from	July, 1959	−60.6	+9.5		n.a.	−12.2	+0.2
	Aug., 1958	−12.5	+9.1			+6.0	−12.3
Champaign-Urbana		$ 360	15,566			$ 74	$ 87
Percentage change from	July, 1959	−18.6	+5.3		n.a.	−15.9	−18.5
	Aug., 1958	−31.6	+21.5			+2.4	−25.9
Danville		$ 162	15,650			$ 48	$ 72
Percentage change from	July, 1959	−35.2	+13.6		+17	−18.4	+36.2
	Aug., 1958	−24.7	+12.0		−5	−0.9	−1.6
Decatur		$ 551	38,243			$ 115	$ 120
Percentage change from	July, 1959	−25.5	+3.3		+8[c]	−13.1	+6.1
	Aug., 1958	−19.4	+7.8		−5[c]	+2.7	+0.5
Galesburg		$ 288	10,038			n.a.	$ 42
Percentage change from	July, 1959	−5.3	+18.9		n.a.		+6.7
	Aug., 1958	−50.0	+6.8				+1.0
Peoria		$ 511	68,724[c]			$ 227	$ 281
Percentage change from	July, 1959	−60.4	+16.1		+21[c]	−9.6	+11.0
	Aug., 1958	+41.6	+26.3		0[c]	+8.1	+7.7
Quincy		$ 178	13,574			$ 45	$ 61
Percentage change from	July, 1959	+2.9	+24.1		+25	−9.7	−12.0
	Aug., 1958	+21.9	+20.6		−4	+11.8	−16.3
Springfield		$1,348	48,267[c]			$ 131	$ 305
Percentage change from	July, 1959	−20.3	+8.3		+18[c]	−13.6	+34.8
	Aug., 1958	+40.4	+11.3		+5[c]	+10.8	+8.0
SOUTHERN ILLINOIS							
East St. Louis		$ 150	18,101			$ 137	$ 68
Percentage change from	July, 1959	−48.8	+9.6		n.a.	−11.3	−33.0
	Aug., 1958	−68.9	+22.7			−1.9	−5.5
Alton		$ 158	28,210			$ 45	$ 33
Percentage change from	July, 1959	−41.9	−2.4		n.a.	−6.9	−9.3
	Aug., 1958	−22.9	+87.8			+7.7	−22.5
Belleville		$ 257	12,689			n.a.	$ 45
Percentage change from	July, 1959	−31.3	+15.0		n.a.		+2.7
	Aug., 1958	+135.8	+8.8				−11.4

[a] Total for cities listed. [b] Includes East Moline. [c] Includes immediately surrounding territory. n.a. Not available.

Sources: [1] U. S. Bureau of Labor Statistics. Data include federal construction projects. [2] Local power companies. [3] Data for August, 1959, are not available on a comparable basis. [4] Research Departments of Federal Reserve Banks in Seventh (Chicago) and Eighth (St. Louis) Districts. Department store sales percentages rounded by original sources. [5] Local post office reports. Four-week accounting periods ending August 21, 1959, and August 22, 1958.

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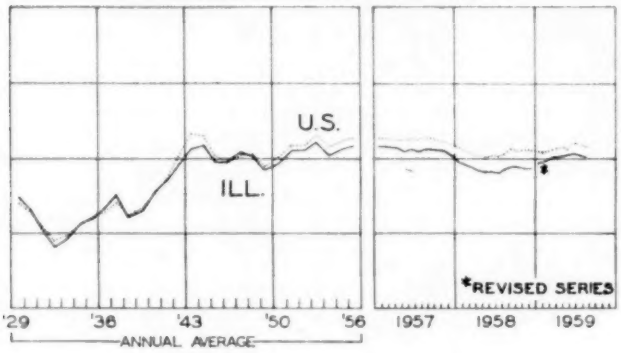
INDEXES OF BUSINESS ACTIVITY

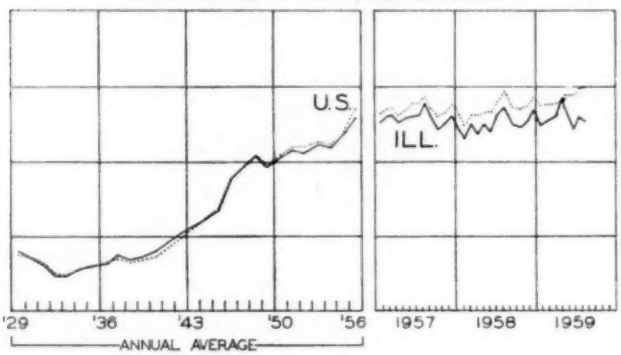
1947-1949 = 100

EMPLOYMENT MANUFACTURING

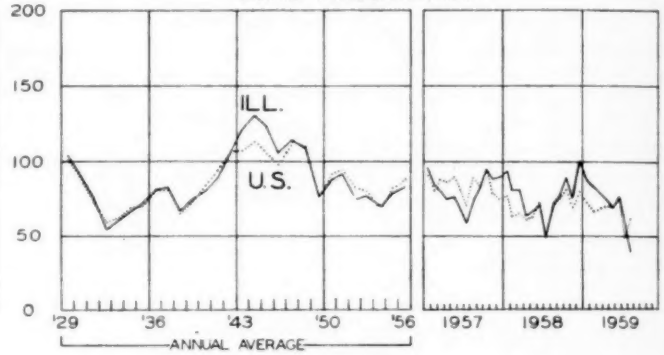


AVERAGE WEEKLY EARNINGS — MANUFACTURING

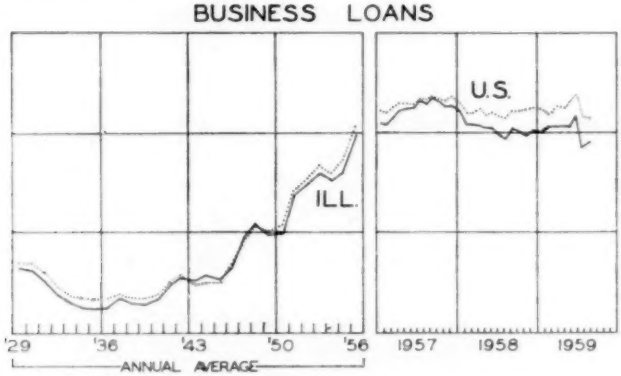
DEPARTMENT STORE SALES



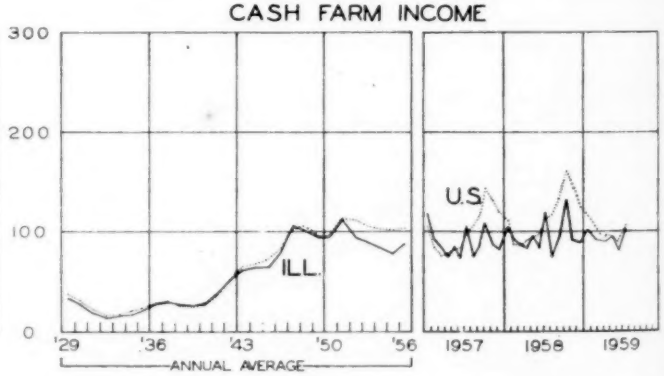
COAL PRODUCTION



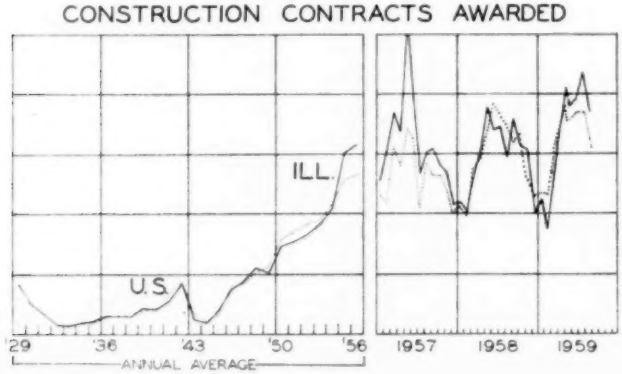
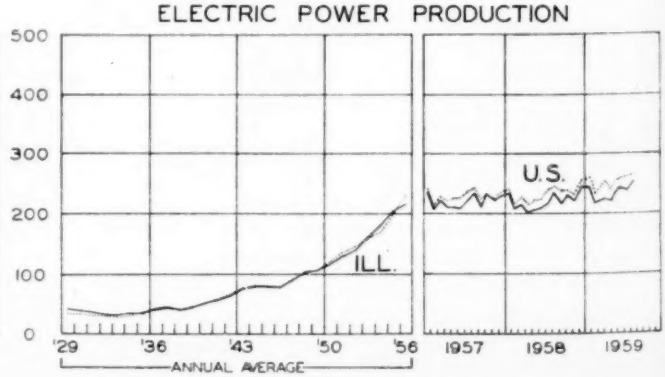
BUSINESS LOANS



CASH FARM INCOME



CONSTRUCTION CONTRACTS AWARDED



ELECTRIC POWER PRODUCTION